

# SUBCOMMITTEE NO. 1 on Education



**Subcommittee No. 1**  
**Chair, Jack Scott**  
**Member, Bob Margett**  
**Member, Joe Simitian**

**Tuesday, May 8, 2006**  
**1:30 pm**  
**Room 113, State Capitol**

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**Issue 1. School Transportation Funding Shift – April Finance Letter Request  
(6110-111-001/0046 & 6110-611-0046/0001)**

**DESCRIPTION:** The Governor’s January budget proposes to shift **\$627 million** in funding for the Home-to-School Transportation program from Proposition 98 General Fund to the Public Transportation Account (PTA). In making this shift, the Administration proposed to rebench the Proposition 98 minimum guarantee downward by **\$627 million** to reflect the savings in state General Funds. In the April Finance Letter, the Governor proposes to essentially undo the January proposal as it affects the Proposition 98 budget, while maintaining state General Fund savings. The Department of Finance will present this April Budget Letter proposal.

**BACKGROUND:** In his April DOF letter, the Governor proposes significant changes to the January budget PTA shift proposal. In effect, the Governor proposes to continue the proposed use of \$627 million in PTA public transportation funds for Home-to-School transportation, but does not propose to reduce the Proposition 98 minimum funding level by the same amount. Specifically, the Governor is proposing that the PTA funds be used as a reimbursement to the state General Fund for expenditures related to the Home-to-School Transportation program.

Under the Governor’s April Letter proposal, the state would still capture \$627 million in General Fund savings. The savings would result from reimbursements to the state General Fund from the PTA in order to offset the costs of the Home-to-School Transportation program. The Governor would eliminate direct PTA funding of the Home-to-School Transportation program, as proposed in January, and restore Proposition 98 funding for the program. In addition, the Governor would no longer propose to rebench the minimum Proposition 98 funding guarantee downward by \$627 million.

As a part of the April Finance Letter, the Administration proposes the following budget control section to bring this proposal into effect:

*SEC. 24.80. (a) Notwithstanding any other provision of law, the Director of Finance is authorized to reimburse overall General Fund expenditures for the purposes of offsetting the cost of Home-to-School Program for the 2007-08 fiscal year from the Public Transportation Account, State Transportation Fund. Upon order of the Director of Finance, up to \$627,000,000 from the Public Transportation Account, State Transportation Fund, may be used to reimburse General Fund expenditures from Item 6110-111-0001 and the deferral amount from 2006-07 paid in 2007-08 pursuant to approval of budget trailer legislation*

*during the 2007-08 Regular Session that provides an appropriation for this purpose. The total reimbursement shall not reduce the balance in the Public Transportation Account, State Transportation Fund, below a prudent reserve as determined by the Director of Finance.*

*(b) It is not the intent of the Legislature in enacting this section to provide additional expenditure authority to state programs.*

*(c) Funds provided from the Public Transportation Account, State Transportation Fund, for this purpose are derived from the sales tax on fuels and are dedicated to mass transportation purposes pursuant to Section 99310.5 of the Public Utilities Code. The Legislature hereby finds that transporting students to schools is a component of the state's mass transportation program.*

**COMMENTS:** At the Subcommittee's March 6 hearing, the LAO recommended that the Legislature reject the Governor's January budget proposal to shift PTA funds to Home-to-School Transportation and rebench the minimum downward by a like amount. The LAO felt the Governor's January rebenching proposal was both unconstitutional and at odds with the intent of the voters when they passed Proposition 98. While the Administration believed their January proposal worked legally, they indicated they were working with education groups to identify alternatives that would achieve savings and use PTA funds legally.

The Governor's April Letter proposal restores Proposition 98 funding for Home-to-School Transportation programs and therefore eliminates any rebenching of Proposition 98. While the April proposal removes the LAO's Proposition 98 legal concerns, the April proposal raises strong concerns for the LAO about the legality of using PTA funds to reimburse the General Fund. The LAO believes that PTA funds must be used for mass-transit and cannot be used to reimburse the General Fund. Overall, the LAO questions the legality and viability of the Governor's April Letter proposal.

**ISSUE 2: Education Transparency Website -- April Finance Letter**

**DESCRIPTION:** The April Finance Letter proposes new funding of **\$214,000** for the Office of the Secretary for Education for administration of a new Education Transparency Website. The April Letter requests **\$150,000** in ongoing funding for **1.5 positions** to administer the website and **\$64,000** in one-time funds for equipment purchases. The Governor's Office has been the lead agency in developing this initiative.

**BACKGROUND:** The Office of the Secretary for Education (OSE) advises the Governor on K-12 and higher education issues. The Governor's budget provides \$2.1 million and 17.1 positions in 2007-08 for OSE. While OSE has not been established in statute, it has operated for a number of years in an advisory role for the Administration.

**April Finance Letter.** In the April DOF Budget Letter, the Administration proposes an increase of \$214,000 for OSE in 2007-08 to administer an Education Transparency Website. Of this amount, \$150,000 would be ongoing funding for 1.5 positions at OSE -- \$94,000 for 1.0 website administrator position and \$56,000 for a 0.5 technical support position. In addition, \$64,000 is requested for purchase of equipment needed for administration of the website.

As proposed by the Governor, the Education Transparency Website would utilize school specific data available from the California Department of Education, but present this data in a more simple and intuitive fashion. The intended audience is the general public, in particular parents who may have basic questions about local schools. Specifically, the website is intended to allow parents and others to compare and contrast data for schools such as enrollment, test scores, pupil discipline, and teacher credentialing and experience.

According to OSE, the Education Transparency Website is proposed as a public-private collaboration. While the Education Transparency Website will be administered by Office of the Secretary of Education, the Governor's Office has been the lead agency in developing this project.

According to OSE's budget proposal, the new system is already being developed by the Governor's Office and scheduled for piloting beginning in June 2007. Initial development of the website has been accomplished using existing technology resources and staff. Permanent website launch is planned for August 2007, following an initial testing of the website.

OSE staffing is requested to ensure that the website is updated periodically, as information is made available by CDE. In addition, OSE anticipates the need for upgrades based upon need during the year. Additional improvements will be made based upon findings from focus groups and input from concerned stakeholders.

## **COMMENTS:**

**Ongoing Funding Not Justified.** It appears that the simple website interface has already been built by the Governor's Office using existing resources. While there may be some costs for periodic upgrading of the system, \$150,000 and 1.5 ongoing positions at OSE do not appear justified. This minimal workload requires periodic services of a part-time information systems analyst only – a half time position is not justified. In addition, there is no justification for a full-time Administrator position. If the project were approved by the Legislature, it could probably be maintained at DTS or CDE within existing resources.

**CDE School Level Data Already Exists.** The California Department of Education provides a wealth of school level information to the public on its website. In particular, the public can access School Accountability Report Cards for individual schools that includes some of the very data that will be utilized by the Education Transparency Website. The new website is intended to provide a website interface that will make CDE data more user-friendly and allow school-by-school data comparisons. The Administration has indicated that it intends for the website to be located on the Governor's webpage and not on the California Department of Education's website. It is unclear why the Governor's Office has not worked directly with CDE to build this new interface within the CDE website system.

**Nature of Public-Private Partnership.** The April Letter does not specify a public-private partnership for the Education Transparency Website project. However, OSE has indicated that some public-private collaboration is envisioned. What is the nature of this public-private collaboration?

**Commercial Websites Available.** According to the Project Manager, there are several commercial website products that provide similar information to what is being proposed for the Education Transparency Website. For example, Google, Inc., announced on April 30, 2007, that it is providing free technology to four states, including California that would make public data more accessible to the public by using a new technology called "Sitemap". So why is new public system needed? According to the State and Consumer Services Agency, these commercial systems do not protect the privacy of users.

**RECOMMENDATIONS:** Staff recommends that the Subcommittee reject this proposal at May Revise and redirect funds to CSIS support. The heart of the Education Transparency Website is the development of a website interface that has already been built. It is likely that this website interface can be administered within existing resources (or minimal one-time and ongoing resources) at Governor's Office or perhaps more appropriately at the Department of Education.

## **OUTCOME:**

**ISSUE 3. State Special Schools – Support and Capital Outlay (6110-001-0001, 6110-005-0001, 6110-006-0001 & 6110-301-0660)**

**DESCRIPTION:** The Governor's January 10 budget and DOF April Letter proposes new funding for staff, utility costs and unemployment insurance at the State Special Schools in 2007-08. In addition, the Governor's January 10 budget proposes funding augmentations for three capital outlay projects at the School for the Deaf in Riverside. The DOF May Letter requests a reappropriation of prior year funding for two of these capital outlay projects due to project delays.

**BACKGROUND:** The State Special Schools include the California Schools for the Deaf in Fremont and Riverside and the California School for the Blind in Fremont. Students attending State Special Schools are served in residential or day programs. The two Schools for the Deaf provide instructional programs to more than 1,000 deaf students and the California School for the Blind provides instructional programs for approximately 130 blind, visually-impaired, and deaf-blind students.

The Governor's budget proposes a total funding level of approximately **\$98 million** for the state's three special schools. These schools are administered by the California Department of Education.

**Governor's Budget – State Operations.** The Governor's January 10 budget and DOF April Budget Letter contain the following augmentations for staff and services at the State Special Schools:

1. **Physical Education Teacher - California School for the Blind (Freemont).** The Governor's January budget proposes a \$88,000 General Fund augmentation and one position for an adaptive physical education teacher at this school.
2. **Utility Costs - California School for the Deaf (Riverside).** The Governor's January budget proposes a General Fund augmentation of \$420,000 to cover utility costs at this school. The DOF April Budget Letter proposes to correct a technical error in the January 10 budget, whereby \$420,000 was inadvertently placed in the wrong item for increased utility costs for the California School for the Deaf at Riverside. DOF accordingly proposes that \$420,000 be shifted from item 6110-001-0001 to item 6110-005-0001, and that the language "Of the funds appropriated in this item, \$420,000 is for funding increased utility costs at the California School for the Deaf, Riverside," be moved from item 6110-001-0001 to 6110-005-0001. **(April Letter Issue 953)**
3. **Unemployment Insurance Costs (All Three State Schools).** The DOF April Budget Letter requests an increase of \$275,000 to cover increased Unemployment Insurance costs related to increased claims and contract costs for the State Special Schools. DOF states that these increased benefits and claims result primarily from seasonal (school year) staffing issues. **(April Letter Issue 955)**

**Governor's Budget - Capital Outlay.** The Governor's January 10 budget includes the following augmentations for capital outlay projects at the **California School for the Deaf in Riverside**. All projects will be funded with lease-revenue bonds and subject to the Field Act.

4. **Multi-Purpose/Activity Center.** Proposes **\$2,342,000** for design, construction and equipment for a 16,775 square foot multi-purpose activity room. The lowest responsive bid received for the project last year was 20 percent above project funding; the proposed increase will pay for the overage. The facility will be used for elementary and middle school activities during the day and for recreational activities for dormitory students.
5. **Career Technical Education Complex.** Proposes **\$3,845,000** for design and construction of a career technical education complex. The project will provide for the demolition of the existing 52-year-old vocational education building and construction of a replacement complex that will include a classroom/administrative building, a shop building, a greenhouse, a service yard and parking lot.
6. **Various Projects – Classrooms, Bus Loop and Building Renovations.** Proposes **\$10,383,000** for preliminary plans, design, construction and equipment of six support cores for academic areas, three additional classrooms and the construction of a new early childhood education bus loop. The project also includes renovations of some older buildings and installation of new hot water boilers.

**DOF May Letter – Capital Outlay Reappropriations.** The May DOF Letter proposes that Item 6110-490 be added to reappropriate prior year funds for the Multi-Purpose/Activity Center and the Career Technical Education Complex at the School for the Deaf in Riverside.

7. **Multi-Purpose Activity Center.** Reappropriates **\$5,003,000** for construction and equipment. The project has been delayed due to a lack of construction funding after the project was bid on March 23, 2006. The lowest responsive bid was 19.8 percent above approved construction funding. The reappropriation request will allow the existing funds to remain intact until a supplemental appropriation of \$2.3 million is approved for 2007-08.
8. **Career Technical Education Complex.** Reappropriates **\$927,000** for working drawings, construction and equipment. The project has been delayed due to unforeseen delays during the California Environmental Quality Act (CEQA) review. The CEQA soil testing detected volatile organic compound called pinene. The pinene issue has been resolved but the CEQA delays will require that the existing funds for the working drawings, construction and equipment will need to be reappropriated in order to meet the revised project schedule.

**COMMENTS/RECOMMENDATION:** *Staff recommends* approval of the Governor's state operations and capital outlay proposals for the State Special Schools listed in items 1-8 above.

**OUTCOME:**



#### **ISSUE 4. State Operations - Special Education Due Process Contract**

**DESCRIPTION:** The Governor's Budget proposes **\$10.7 million** in 2007-08 to fund administration of the state special education due process program. This program is operated under contract with the Office of Administrative Hearings (OAH), Department of General Services. CDE is requesting **\$1.7 million** in additional funding for the OAH contract in 2007-08 to cover annual cost increases.

**BACKGROUND:** Federal special education law requires that states receiving federal special education funding maintain a due process system to resolve disputes between parents and school officials regarding compliance with federal laws governing the education of students with disabilities receiving special education services. Federal law prohibits CDE from acting as the administrative hearing agency for such disputes, in order to avoid conflict of interest.

**Due Process Contract History:** Prior to 2004, Education Code required the CDE to contract with a single, nonprofit organization or entity to provide due process services. This statute reflected the interest in maintaining some impartiality or independence for this function. Since 1989, CDE contracted with the McGeorge School of Law to serve as the administrative hearings agency for these disputes.

In 2002 and 2004, California Attorneys, Administrative Law Judges, and Hearing Officers in State Employment (CASE) initiated a legal case challenging the McGeorge contract. CASE was essentially challenging the state's ability to contract out for services that other civil service employees could perform. Based upon this successful legal challenge, the Administration and CDE requested budget trailer bill language as a part of the 2005-06 budget allowing CDE to contract with a state agency to perform this work.

In 2004-05, CDE issued a request for proposals to solicit competitive bids for a new contractor to provide the services. It received bids from McGeorge and OAH. According to CDE, OAH's bid was \$30.4 million for three years, which was 30 percent lower than McGeorge's bid. Because the OAH bid was lower, CDE decided to enter into an interagency agreement with OAH, citing this as the appropriate contracting vehicle between two state agencies.

As of June 1, 2005, CDE and OAH entered into a three-year interagency agreement for the provision of due process hearings starting June 1, 2005, and mediations starting January 1, 2006. It also entered into a six-month transition contract with McGeorge for the provision of mediation services and due process hearings for hearings that were already initiated. As of January 2006, OAH assumed responsibility for providing mediations in addition to due process hearings.

**2006-07 Budget:** Last year, the Governor proposed \$4.5 million in non-Proposition 98 General Fund to cover unexpected 2005-06 costs to OAH for administration of the statewide special education due process program. Later, these additional costs were reduced to \$2.0 million. The final 2006-07 budget provided an additional \$1.4 million to

cover 2005-06 OAH costs for closing an estimated 1,600 cases in the pipeline from the previous state contract. The 2006-07 budget also provided \$320,000 in ongoing funds to cover increased employee compensation costs for the OAH contract. These funds were vetoed by the Governor in 2006-07, because the Administration indicated that funds would be available through the employee compensation process. (These funds, now estimated at \$513,000, have not yet been made available to the CDE due to oversights in allocating employee compensation funds. The DOF advises that it intends to seek legislation to make these funds available.)

**Governor's 2007-08 Budget Proposal.** The Governor's 2007-08 budget provides **\$10.7 million** to the Department of Education for the OAH due process contract. This continues funding at the 2006-07 level and includes **\$513,000** for increased employee compensation costs associated with the OAH contract.

**CDE Proposal:** CDE requests an additional **\$378,000** in 2006-07 and **\$1,684,000** in 2007-08 for the OAH contract. According to the department, OAH contract costs are increasing by more than \$1 million per year due to increasing workload. According to CDE, they approved these yearly increases when they signed the three year inter-agency agreement with OAH.

**Monitoring Data:** The 2005 education omnibus trailer bill, SB 63, codified various data requirements for the new due process contract in order to assure the continuation of data provided by the previous contractor. The intent was to maintain data that could provide be used to monitor program access and outcomes during the transition period. The data included in statute reflected data included in CDE's interagency agreement with the new contractor.

The data specifically included quarterly reports from OAH on the status and outcomes of its process. The legislation required quarterly reports to provide continuity in the program, (since McGeorge had provided quarterly data reports on its outcomes), in order to assure that program access and quality were maintained during the transition period. Due to the delays in these reports and concerns about assuring access during the transition period, the 2006-07 budget added reporting requirements for the OAH.

Data provided by OAH for 2005-06, is not complete due to shared responsibilities for mediation with the previous contractor for that year. In summary, with 683,178 special education students in 2005-06, there were 2,834 requests for due process. Most of these cases were heard in mediation, although the actual number is not known and it is unclear how all of these cases were fully resolved. Of the 2,834 requests for hearing in 2005-06, 119 due process hearings resulted.

<b>Total K-12 Student Enrollment</b>	<b>6,312,393</b>
<b>Total K-12 Student Enrollment – Special Education</b>	<b>683,178</b>
<b>Total Due Process Requests Received</b>	<b>2,843</b>
<b>Total Mediations (Conducted)</b>	<b>NA*</b>

<b>Total Hearings (Decisions)</b>	<b>119</b>
<b>Total Cases on Appeal</b>	<b>?</b>

\*2005-06 data not available. For the first three quarters of 2006-07, OAH facilitated 1,230 mediations.

**COMMENTS:** Staff does not believe that the CDE proposal is justified. Staff questions whether the OAH practice of using Administrative Law Judges to conduct mediations, which reflects the bulk of the OAH workload, rather than mediators, is a cost effective practice. According to CDE, the cost of mediators under the previous due process contract ranged from \$54 to \$89 per hour. This compares with an hourly rate of \$169 for Administrative Law Judges (ALJs) at OAH. For the first three quarters of 2006-07, OAH facilitated 1,230 mediations. It would appear far more cost effective to utilize mediators than ALJs for mediations. ALJs could then be reserved for the 119 due process hearings conducted annually by OAH. Staff also notes that annual increases agreed to by CDE in the interagency agreement with OAH are all subject to budget act appropriations.

## **ISSUE 5: State Operations – CDE Positions and Operating Expenses**

**DESCRIPTION:** The Governor proposes a number of staffing adjustments – increases and decreases – in 2007-08 that are included in the Governor’s January 10 budget, but that have not yet been heard by the Subcommittee. Other proposals were discussed by the Subcommittee at earlier hearings or in other items in this agenda. CDE will present priority state operations requests for both staffing and other operating expenses.

**Governor’s CDE Staffing Proposals:** The Governor January 10 budget proposes the following staffing adjustments for the Department of Education that have not yet been heard by the Subcommittee:

1. **State Board of Education Positions.** Fully restores funding for staff and operations at the State Board of Education in 2007-08. The budget adds **\$1,536,000** in General Funds (Non-98) and **\$53,000** in reimbursements to restore **9.2 staff positions** and other operating expenses for the State Board. The Legislature eliminated all funding for the State Board’s staff and expenses in the 2006-07 budget in response to State Board actions on English/Language Arts curriculum as it affects the availability of instructional materials for English learners. [Note: The Finance April Budget Letter requests \$425,000 in General Funds for CDE to cover the operational costs of the State Board in 2006-07. The Administration is pursuing legislation for this current year deficiency. No budget action is requested. (Issue 641).]
2. **Education Data Exchange Network (EDEN).** Provides **\$112,000** in federal funds and **1.0 position** to coordinate workload for the Federal Education Exchange Network. As proposed, this position would be devoted half time to the EDEN program and half-time for California Longitudinal Pupil Achievement Data System (CALPADS). The Department of Education had requested four new data positions – one each for EDEN and CALPADS and two for California Longitudinal Teacher Integrated Data System (CALTIDES). The Governor’s budget funded only one of these positions, split between EDEN and CALPADS.
3. **Career Technical Education.** Continues **2.0 positions** and **\$160,000** for career technical education programs funded half from state General Funds and half from federal Perkins funds.
4. **Career Technical Education.** Augments staff for career technical education by **2.0 positions** and **\$278,000** to implement new accountability requirements created by the reauthorized federal vocational education (Perkins) act. Federal Perkins funds of \$139,000 are matched by \$139,000 in state General Funds. Under the new federal program, the Department of Education will be required to annually evaluate school district performance against established goals.
5. **School Mental Health Network.** Converts **3.0 positions** from limited-term

status to permanent status and provides **\$633,000** for implementation of the Mental Health Services Act (Proposition 63) in school districts. Proposition 63 was passed by voters as Proposition 63 in 2004. The proposed funding and positions will institute a permanent partnership with the Department of Mental health to support training for school districts and mental health services agencies to promote early recognition of children's mental illnesses.

6. **English Learner Instructional Materials Program.** Eliminate **2.0 positions**, established on a limited-term basis, and **\$220,000** in federal Title III funds for implementation of the English Learner Instructional Materials program
7. **Educational Technology Program.** Remove **3.0 positions**, established on a limited-term basis, and **\$378,000** in federal funds for the Education Technology program. (The Finance April Budget Letter proposes to restore 2.0 positions with federal technology funds.
8. **Child Nutrition Information and Payment System (CNIPS).** Remove **7.8 positions** and **\$3,199,000** in federal nutrition funds and add **6.3 positions** and **\$2,639,000** in federal nutrition funds for administration of CNIPS.
9. **Fresh Start Pilot Program.** Eliminates **1.0 position** for claims processing and **\$174,000** in state General Funds for administration of Fresh Start Pilot Program. This pilot program, funded with one-time funds in 2005-06, covers the costs of purchasing additional servings of fruits and vegetables for students. Most of the \$18.2 million in one-time funds provided for the program has been expended.
10. **State Preschool Expansion.** Continue **1.0 position** and **\$150,000** in state General Funds for expansion of the State Preschool Program established in Chapter 211; Statutes of 2006 (AB 172/Chan).
11. **Certificated Staff Mentoring Program.** Adds **1.0 position** and **\$101,000** in state General Funds to administer the Certificated Staff Mentoring program, established by Chapter 517; Statutes of 2006 (SB 1209/Scott). This new programs provides support and mentoring to new teachers in low-performing schools.
12. **English Learner Best Practices Pilot Program.** Add **1.0 position** and **\$100,000** in federal Title III funds for administration of the English Learner Best Practices Pilot program established by the 2006-07 budget.

**CDE Staffing Proposals.** There are a number of positions requests that the CDE submitted to the DOF that were not funded in the Governor's January budget. The issues listed below include CDE's highest priority requests. Only those issues that have not been discussed by the Subcommittee in other hearings or are not covered by April Letter proposals, are highlighted below:

- **Title V Backfill Proposals.** Two years ago, the federal government eliminated funding for a major federal program (Title V) that CDE had relied upon heavily to fund its operations. Last year, CDE backfilled this cut using one-time federal carryover. This year, DOF has approved one of CDE's proposals to backfill this federal cut, but not all of them. Specifically, CDE requests the General Fund increases of **\$610,000** for the Assessment Division; **\$693,000** for the Learning Support and Partnership Division; and **\$290,000** for the Secondary, Postsecondary, and Adult Leadership Division to offset equal losses in federal Title V funds.
  
- **Corrective Actions for Districts in School Improvement.** CDE requests **4.0 positions** and **\$489,000** in federal Title I funds to implement corrective actions in school districts that will enter their third year of Program Improvement this fall. Corrective actions are required for districts identified as needing "program improvement" under the federal No Child Left Behind (NCLB) act. CDE anticipates as many as 100 districts may be facing corrective actions as early as this fall. These districts will require technical assistance in implementing the corrective actions. Without the additional staff, CDE states that it will be unable to offer adequate technical assistance to these districts.

**CDE Operating Expense Proposal.** CDE has identified the following priority state operation proposal that involves new facility costs for the department.

- **Facility Costs for Bus Driver Training Program --** CDE submitted a proposal for **\$519,000** from the Driver Training Penalty Assessment Fund (non-General Fund) for facility leasing costs, training bus replacement and increased student lodging costs. Under current law, CDE is required to provide driver safety training for school bus transportation, school pupil activity buses, farm labor vehicles and public transit. CDE has been using a building owned by the California Highway Patrol, which is old and will soon be demolished. CDE needs to lease space until CHP replaces the building.

**COMMENTS/RECOMMENDATIONS:** *Staff recommends* that the Subcommittee delay approval of staffing and operating expense proposals until May Revision to coordinate with actions on local assistance proposals and to consider new or revised proposals from the Administration.

## **ISSUE 6: April Finance Letters – State Operations – Federal Funds Adjustments**

**DESCRIPTION:** The DOF April budget letters propose various changes to federal funded state operations budget items for the Department of Education.

**BACKGROUND:** The April DOF Letters proposes the following adjustments to the January 10 budget for Department of Education state operations. All of these issues involve federal funds adjustments for state operations.

- 1. 6110-001-0890, State Operations, Education Technology Administration (Issue 002).** It is requested that this item be increased by \$220,000 in federal funds to continue **2.0 limited-term positions** for an additional two years. The positions would continue to address baseline workload under the federal Enhancing Education Through Technology program requirements. These positions were removed from the Governor's January budget 2007-08, as it was unknown if the federal government would be continuing the program. The federal government did ultimately continue the program, albeit at a slightly reduced level (see related April Letter Issue #051), yet base workload requirements will remain essentially unchanged.
- 2. 6110-001-0890, State Operations, Education Technology Administration (Issue 050).** It is requested that language in this item be amended to reallocate budgeted federal funds for administration. Specifically, the proposed change would reduce contracted technical support and evaluation services from \$686,000 to \$150,000 (\$536,000). This adjustment would align the contract allocation with the level needed according to the SDE, thereby allowing it to use the funds instead for addressing other workload such as complying with federal Enhancing Education Through Technology and E-Rate program requirements.

It is requested that Provision 8 be amended as follows:

"8. Of the funds appropriated in this item, \$1,427,000 shall be used for administration of the Enhancing Education Through Technology Grant Program. Of this amount:  
a. ~~\$686,000~~ \$150,000 is available only for contracted technical support and evaluation services."

- 3. 6110-001-0890, State Operations, Mathematics and Science Partnership Program (Issue 088).** It is requested that this item be increased by **\$367,000** in federal funds for **1.5 positions** to support increased workload and to expand the external evaluator contract. This program provides competitive grant awards to partnerships of low-performing schools and institutes of higher education to provide staff development and curriculum support for mathematics and science teachers.

It is further requested that the following provisional language be added to conform to

this action:

X. Of the funds appropriated in this item, \$167,000 and 1.5 positions are provided to support increased workload for the Mathematics and Science Partnership Program. Additionally, \$200,000 is provided to expand the external evaluator contract.

**4. 6110-001-0890, State Operations, Migrant Education Program Oversight (Issue 651).** It is requested that this item be increased by \$800,000 to reflect the availability of \$800,000 federal Title I one-time carryover funds from 2006-07. The funds will be used to develop various SDE operational plans to provide appropriate educational services to migrant students and to ensure the SDE's compliance with federal Migrant Education Program requirements.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated, \$800,000 is provided in one-time carryover funds to develop evaluation, improvement, and service delivery plans to meet federal Migrant Education program requirements. The completed plans shall be incorporated into the Single Plan for Pupil Achievement pursuant to Education Code Section 64001.

**5. 6110-001-0890, State Operations, Free and Reduced-Price Meal Direct Certification Grant (Issue 785).** It is requested that this item be increased by \$172,000 to reflect the availability of one-time carryover funds for a federal grant. The grant supports efforts to directly certify eligible pupils from public benefit programs for free and reduced-price school meal programs.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the amount appropriated in this item, \$172,000 is available from one-time carryover funds to support efforts that directly certify eligible pupils from public benefit programs for free and reduced-price school meal programs.

**6. 6110-001-0890, State Operations, School Wellness Grant (Issue 786).** It is requested that this item be increased by \$50,000 to reflect the availability of a one-time carryover funds from the School Wellness Grant, which supports training and technical assistance for local educational agencies implementing local wellness policies.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the amount appropriated in this item, \$50,000 is available from one-time federal funds for providing training and technical assistance to local educational agencies implementing local wellness policies.



7. **6110-001-0890, State Operations, Evaluation of No Child Left Behind Assessment Requirements (Issue 841).** It is requested that this item be reduced by \$2.0 million to reflect the removal of one-time funds for an evaluation of whether California has met the assessment requirements of the federal No Child Left Behind Act of 2001. The evaluation has been completed, and it is no longer necessary to include funding in the annual Budget Act. Provisional language for this evaluation was removed from the Governor's Budget; however, the funding was not removed.
8. **I6110-001-0890, State Operations, Technical Adjustment for Federal Special Education Funds (Issue 952).** It is requested that \$127,000 in federal funds, originally budgeted in Provision 46 of Item 6110-001-0890, Budget Act of 2006, for education monitoring and technical assistance in correctional facilities, be restored. The federal funds were inadvertently eliminated as a one-time cost. Although the monitoring in correctional facilities workload has sunset (Education Code Section 56867 (h)), the SDE advises that the federal funds should remain as a part of the base for administration (in other words, the federal grant for administration continues to provide California with the funds).

#### **RECOMMENDATION:**

The Department of Finance and Department of Education recommend that the Subcommittee adopt the following revised language for the federal Migrant Education program in item 4 above:

- X. Of the funds appropriated, \$800,000 is provided in one-time carryover funds to complete the comprehensive needs assessment, develop the SEA's service delivery plan and develop a process and contract for program evaluation to meet federal Migrant Education program requirements. The State plan pursuant to Title I Code of Federal Regulations 200.83-200.84, shall include a summary of the comprehensive needs assessment, the service delivery plan and the evaluation design.

*Staff recommends* approval of April DOF Finance Letter items 1-8, with the revised language for the Migrant Education program recommended by DOF and CDE. All of these proposed items reflect federal funds adjustments for state operations administered by the Department of Education.

**ISSUE 7: April Finance Letters - Various State Operations and Local Assistance Items**

**DESCRIPTION:** The DOF April Budget Letters propose adjustments to various state operations and local assistance budget items for the Department of Education.

**BACKGROUND:** The April DOF Letters propose the following adjustments to the January 10 budget:

**1. 6110-001-0001, State Operations, Child Nutrition Standards (Issue 787).** It is requested that this item be increased \$200,000 reimbursements for efforts to establish an approved listing of beverages that can be served on school campuses and that comply with Chapter 237, Statutes of 2005.

It is further requested that Provision 21 be amended as follows:

"21. Of the reimbursement funds appropriated in this item, ~~\$200,000~~ \$400,000 shall be available to the SDE to contract for assistance in developing an approved listing of food and beverage items that ~~complies~~ comply with the nutrition standards of Chapter 235 of the Statutes of 2005 and Chapter 237 of the Statutes of 2005. In order to fund the development and maintenance of the approved product listing, the SDE shall collect a fee, as it deems appropriate, from vendors seeking to have their product reviewed for potential placement on the approved product listing. Reimbursements collected in 2007-08 may be used to offset costs incurred in 2006-07."

**2. 6110-491 and 6110-001-3085, State Operations, Mental Health Services Act, Proposition 63, Reappropriation (Issue 951).** It is requested that \$289,000 in funds (income tax for Mental Health Services) appropriated in Schedule (1) of Item 6110-491, Budget Act of 2006 be reappropriated for 2007-08. These funds were appropriated to allow the SDE to contract for training school business officials pursuant to the Mental Health Services Act. Due to contract bid issues (non-qualified bids and appeals), the funds will not be spent until March 2008 according to the SDE.

It is requested that the following language be added:

6110-491—Reappropriation, Department of Education. Notwithstanding any other provision of law, the balances of the appropriations provided in the following citations are reappropriated for the purposes and subject to the limitations, unless otherwise specified, in those appropriations, and shall be available for encumbrance or expenditure until June 30, 2008:

(1) Schedule (1) of Item 6110-491, Budget Act of 2006 (Chs. 47 and 48, Stats. 2006). Of the funds appropriated in this item, \$289,000 is made available for the 2007-08 fiscal year, for the purpose of fulfilling contracting services with local education agencies pursuant to the Mental Health Services Act (Proposition 63).

**3. 6110-001-0890, State Operations, Department of Education, Technical Adjustment for Model Charter Schools Program (Issue 981).** It is requested that this item be reduced by \$1,409,000 to eliminate a pending budget revision that was inadvertently included in the Governor's Budget for the federal Model Charter Schools program. The funding for this program was not received, and this technical adjustment is necessary to correct the error.

**4. 6110-113-0001, Local Assistance, California's Pupil Testing Program, California High School Proficiency Exam Reimbursements. (Issue 832).** It is requested that Schedules (5) and (6) of this item be amended to reflect an increase in reimbursement authority of \$74,000 for the California High School Proficiency Exam (CHSPE). These funds will be used to pay a contractor for the administration of the CHSPE.

**5. 6110-113-0001, Local Assistance, California's Pupil Testing Program, California High School Proficiency Exam Provisional Language (Issue 833).** It is also requested that Provisions 1 and 4 of this item be amended as follows to clarify and conform to the Education Code. Specifically, it is requested that a CHSPE statutory reference be added to Provision 1. As in past Budget Act items, this item will appropriate funds for the administration of the CHSPE and a statutory reference will eliminate ambiguity as to the appropriate use of these funds. Also, it is requested that the term "annually" be struck from Provision 4. This term is unnecessary because the common practice of the State Board of Education is to adjust the California High School Exit Exam apportionment funding on an as-needed basis.

"1. The funds appropriated in this item shall be for the pupil testing programs authorized by Chapter 3 (Section 48412), Chapter 5 (commencing with Section 60600), Chapter 6 (commencing with Section 60800), Chapter 7 (commencing with Section 60810), and Chapter 9 (commencing with Section 60850) of Part 33 of the Education Code."

"4. The funds appropriated in Schedule (4) include funds for approved contract costs and apportionment costs for the administration of the California High School Exit Examination (CAHSEE) pursuant to Chapter 9 (commencing with Section 60850) of Part 33 of the Education Code. The State Board of Education shall ~~annually~~ establish the amount of funding to be apportioned to school districts for the CAHSEE. The amount of funding to be apportioned per test shall not be valid without the approval of the Department of Finance."

**6. 6110-136-0890, Local Assistance, Title I School Improvement Program (Issue 844).** It is requested that trailer bill language be adopted to increase the amount of funding that may be expended from Schedule (3) on school assistance and intervention teams (SAIT). Prior to enactment of the 2006-07 Budget, the SDE estimated the necessary funding for SAIT teams. However, after the Budget was enacted, the SDE determined that the actual costs of SAIT teams would be higher than anticipated. This action will not result in an increase to the current year appropriation. Rather, existing funds will be reallocated from general purpose School Improvement Program activities to SAIT activities. SAIT teams are assigned to schools that have failed to make significant

academic progress under the High Priority Schools Grant Program.

It is further requested that Provision 3 be amended as follows:

"3. Of the funds appropriated in Schedule (3), up to ~~\$1,600,000~~ \$2,000,000 shall be made available to support school assistance and intervention teams that enter into a contract with a school pursuant to subdivision (a) of Section 52055.51 of the Education Code. These funds shall be allocated in the amount of \$75,000 for each school assistance and intervention team assigned to an elementary or middle school and \$100,000 for each team assigned to a high school. The State Department of Education and Department of Finance may approve applications with justification for a total funding level of \$125,000."

**RECOMMENDATION:** *Staff recommends* approval of April DOF Finance Letter items 1-6, as listed above. These proposed items reflect state operations and local assistance adjustments that are technical in nature.

## **ISSUE 8:      Reading First Program (Item 6110-126-0890)**

**DESCRIPTION:** The Governor's Budget proposes a total of **\$158.9 million** in federal funding to continue the Reading First program in 2007-08. The Governor proposes to use **\$15.1 million** in federal Reading First one-time carryover funds for additional schools in currently funded school districts. The Governor's proposal does not allow any of these carryover funds to be used for schools in districts that are not currently participating in the program. Instead, the Governor's proposal authorizes up to a total of six years of funding for existing district grantees. The April Finance Budget Letter requests that the level of ongoing level of Reading First funding be reduced by **\$9.6 million** to reflect a reduction in federal Reading First grants to California in 2007-08.

**BACKGROUND:** The federal Reading First Program, first authorized under the No Child Left Behind Act of 2001, provides grants to states to improve reading instruction and outcomes for students. California's Reading First Plan was approved by the State Board of Education and codified in state law in 2002 to provide reading instruction to K-3 students and K-12 special education students.

**Eligible Districts:** School districts are eligible to apply for funding if 75 percent of their low performing schools provide assurances about participating in the program. Eligible low performing schools are defined as schools with 40 percent or more students performing below basic on the California Standards Test.

**Grant Levels:** Under the state Reading First Plan, the state is authorized to provide base grants of \$6,500 for eligible K-3 classroom teachers in participating districts; however, with additional justification, grants of up to \$8,000 per K-3 teacher are allowed. Grants are allocated for K-3 bilingual classrooms, identified as "waivered classrooms" pursuant to Education Code Section 310. Grants are not allocated for K-12 special education classroom teachers.

**Use of Funds:** Under California's plan, Reading First funds can be used by school districts for purchasing reading materials, participating in state-approved professional development in reading and language arts, hiring reading coaches and reading assessments. Funding is not provided for direct instruction to students. In order to receive funding, districts must purchase standards-aligned textbooks for English/Language Arts and agree to participate in the state program.

**Significant Progress Requirements.** The federal law requires that Reading First grantees demonstrate "significant progress" in improving reading scores in order to receive funding beyond three years. The 2005-06 budget contained provisional language requiring the State Board of Education to seek legislative approval for any extension of the grant period beyond three years. Legislation was not passed for this purpose. The State Board of Education finally adopted a definition of significant progress in 2006-07, after fourth year grants had been released for the first round of Reading First schools.

**Program Participation:** To date, the State Department of Education has allocated Reading First funds to four rounds or cohorts of grantees. The first round of funding began in 2002-03 and in 2007-08 this cohort will be in its sixth year of funding. As indicated below, the Reading First program currently provides grants to nearly 20,119 classrooms in 122 school districts statewide, representing more than half of the eligible schools and teachers statewide.

<b>Existing Grantees:</b>	Districts	Schools	Classrooms/ Teachers
Round 1 (Waivered Classrooms)	13	317	8,495 (412)
Round 2 (Waivered Classrooms)	60	368	8,191 (695)
Round 3 (Waivered Classrooms)	37	135	2,953 (627)
Round 4 (Waivered Classrooms)	12	26	480 (xx)
<b>Subtotal, Existing Grantees</b> <b>(Subtotal, Waivered Classrooms)</b>	<b>122</b>	<b>846</b>	<b>20,119</b> <b>(xxx)</b>

#### **Unfunded Programs:**

While more than half of the state eligible schools are funded, approximately 770 schools and 16,373 teachers are not participating in the Reading First program as indicated by the table below.

<b>Unfunded Classrooms:</b>	Districts	Schools	Classrooms/ Teachers
Additional Eligible Classrooms in Funded Districts		274	6,600
Additional Eligible Classrooms in Unfunded Districts		496	9,673
<b>Subtotals, Unfunded Classrooms</b>		<b>770</b>	<b>16,373</b>

The Administration has resisted adding funding for unfunded districts in recent years. The Legislature set aside **\$6.5 million** in carryover funds in 2005-06 for unfunded school districts, which were approved in the final budget that year. According to CDE, nine districts of the unfunded districts applied for funding. As a result of this funding, an additional xxx schools, xxx teachers and xxxx students were served in unfunded districts

statewide.

**2006-07 Budget:** The Governor vetoed \$15.1 million in the 2006-07 budget, which included \$3.0 million for schools in districts that are not currently participating in the Reading First program. The Governor's veto, included below, expresses the strong view that funding should not be provided for new schools in districts that are not currently receiving funding.

*I am reducing \$15,100,000 in federal Reading First carryover expenditure authority from prior years and deleting the provisional language associated with it. I am concerned that this language both proposes to initiate a new cohort of grant recipients, and would require subsequent legislation to define the criteria by which currently participating districts are determined to be making progress in the program and thus, whether current grant recipients continue to receive funding. This language is an attempt to enact substantive law in the Budget Act rather than in a single subject bill as required by the Constitution.*

*Further, this proposal is inconsistent with the approved federal Reading First State Plan which appropriately gives the authority to define "significant progress" to the State Board of Education (SBE) as the State Educational Agency responsible for implementation of the federal No Child Left Behind Act. The SBE has been working with constituents to develop a fair and meaningful definition of "significant progress" and should be allowed to continue their work. Finally, the addition of a new cohort in the fifth year of a six-year program may serve to undermine the overall performance of the state's Reading First program and, therefore, jeopardize future funding for this program if it is reauthorized at the federal level. I am willing to support a substantive bill that maintains the authority of the SBE to define "significant progress", extends availability of funding for existing cohorts for the 5<sup>th</sup> and 6<sup>th</sup> years, and avoids creation of a new cohort of grant recipients.*

**2007-08 Budget Proposal:** The Governor's Budget proposes a total of **\$158.9 million** in federal funding to continue the Reading First program in 2007-08. The Governor proposes to use **\$15.1 million** in federal Reading First one-time carryover funds for additional schools in currently funded school districts. Carryover funds are expected to increase to approximately **\$22 million** at May Revise. In keeping with the 2006-07 veto message, the Governor's 2007-08 budget proposal does not provide funding for any new grantees and instead authorizes additional years of funding – up to six years -- for existing grantees.

**Advisory Group for Implementing Reading First in Waivered Classrooms:** The 2005-06 budget established an advisory committee composed of waived classroom teachers; academic experts in second-language acquisition; and academic experts in Reading Language Arts and Spanish Language Arts. The advisory committee was directed to assist CDE in addressing assessments and professional development for reading teachers and coaches. While a report was due to the Legislature by March 1, 2006, the advisory committee was not convened until March 2006.

**Special Education Budget Reports:** Budget bill language requires the Department of Education to produce a number of reports on the participation of special education teachers in Reading First. The federal Reading First program is focused on reading improvement for K-12 special education students, as well as K-3 students. These reports were required due to concern about the extent to which special education teachers were participating in Reading First, especially given the poor performance of special education students as measured by state assessments. The most recent report from the Department of Education indicates that 2,720 K-12 special education teachers have participated in some Reading First professional development since the program began. However, the department also reports:

*“There is high probability that no Special Education teachers are participating in the Reading First program as only teachers in core curriculum can participate. Currently, the data collected from LEAs does not include whether the teacher teaches Special Education.”*

**Reading First Evaluation:** A three-year evaluation of California’s Reading First program was completed in November 2005 by an external evaluator selected by CDE. While the evaluation concludes that the program is having a positive impact on student achievement, when it compared Reading First schools to demographically similar non-Reading First schools the results were more inconclusive. It should be noted that it is not possible to measure individual student progress because student based, longitudinal data is not yet available for schools.

Additional data provided by the Reading First California Technical Assistance Center also indicates some increases in the percentage of Reading First students identified as Basic and Proficient on the California Standards Test. While significant increases were noted, some sizable decreases and variable trends were found.

**Recent GAO Report on Reading First.** A February 2007 report by the federal Government Accountability Office (GAO) found that, while states reported some improvements in reading instruction as a result of the Reading First funding, some federal government officials violated provisions of the No Child Left Behind Act when they implemented Reading First, by "pressur[ing] state and local applicants to choose specific reading programs and assessments" (pressuring states and locals to purchase specific instructional material programs). Such actions are expressly prohibited by NCLB, due to the importance of "preserv[ing] state and local control over key aspects of the public school system" and the importance of ensuring that federal officials don't influence local purchasing decisions that could benefit particular private publishing companies. The federal government responded to the audit with a plan to put procedures in place to protect against such violations in the future. However, these findings are important in that they may affect any changes to the program if and when the program is reauthorized by Congress.

**LAO Recommendation:** The LAO is concerned about the lack of an expenditure plan



for the Reading First program in 2007-08, which utilizes both ongoing and carryover funds to continue funding for current Reading First cohorts.

Given the lack of notable, widespread success of the program, the LAO continues to recommend the program be more flexible and that districts be allowed to use at least a portion of their funding for direct student service. In recent years, the LAO has consistently recommended modifications in the structure of the Reading First program to allow for actual reading instruction to students instead of teacher training and coaching.

#### **COMMENTS:**

**Level of Reading First Funding in 2007-08 Uncertain.** The Department of Education estimates a total of **\$22 million** in Reading First carryover funds in 2007-08. The Governor's budget reflects **\$15.2 million** in carryover funds, although this figure will likely be updated at May Revise. At the same time the April Finance Budget Letter requests a **\$9.6 million** reduction in ongoing Reading First funds to California. To what extent will carryover funds be needed to backfill this loss of base funding in order to maintain the existing program?

**Expenditure Plan for Governor's Proposal.** As raised by the LAO, what are the costs of including all unfunded eligible schools within districts that are already participating in the program, as proposed by the Governor? How many schools will be funded in how many districts? What are the outyear costs of the Governor's proposal?

**Allocation of Any Carryover Funds for Current Program.** How should excess carryover funds, beyond what is needed to fund the Governor's program, be distributed in 2007-08? If additional funds remain, it seems logical to invite unfunded eligible schools within districts that have not yet received funding into the program. Statewide, only 55 percent of eligible schools are participating in the program.

**Improving Participation of Special Education Teachers.** The federal law specifies that this funding is intended for teachers in grades K-3 *and* special education teachers in grades K-12. CDE data reports, as required in the budget, raise concern about the lack of participation by special education teachers in the Reading First program. Given the need for improving reading language arts achievement among special education students, as evidenced by state assessments, what can be done to assure equal participation for K-12 special education teachers?

**QUESTIONS:** In considering the Governor's proposal, the Subcommittee may wish to ask the following questions of DOF and CDE:

- 1. According to the Administration, funding for school districts will not extend beyond six years. So presumably, the 13 districts in Round 1 will be phase out of the program and space will be made for new, previously unfunded eligible school districts in 2008-09. Does the Department of Education have a plan for attracting new districts to the program in 2008-09? What are the reasons for low*

*participation from unfunded school districts? Is the program felt to be too restrictive for districts and could it be made more flexible in ways that do not undermine the integrity of the program?*

- 2. Reading First grants are allocated on the basis of the number of eligible K-3 classroom teachers in participating school districts. Grants are not allocated for K-12 special education classroom teachers, as authorized under the federal and state law. Given the poor reading performance of special education students as measured by STAR and CAHSEE assessments, why aren't special education teachers participating more directly in the Reading First program?*
- 3. In 2004-05, \$29.5 million in one-time carryover funds were provided to 92 school districts to provide up to \$8,000 per teacher for one year to reduce student referrals to special education. Has the Department of Education ever determined if these funds were effective in reducing special education referrals?*

**OUTCOME:**

## **Issue 9: Career Technical Education (CTE)**

Beginning in 2007-08, the Governor proposes spending \$52 million annually (Proposition-98), on career technical education in the community colleges budget. Of this amount, \$20 million is ongoing and appropriated annually in the Budget Bill. These funds were originally appropriated when the CTE improvement grant program was created by Senate Bill 70 (Scott, Chapter 352/Statutes of 2005). The remaining funding (\$32 million) is new for 2007-08 and was appropriated in statute to the community colleges as part of the *CTA v. Schwarzenegger* legal settlement (Chapter 751/Statutes of 2006).

### Current Year (2006-07)

Of the \$20 million appropriated in the current year, the bulk of the funds are being spent to articulate and coordinate curriculum and student services between middle schools, high schools, community colleges, and the California State University. According to the LAO, lack of coordination is the main contributor to Career Technical Education problems.

These articulated curricula provide clear career pathways linking high school courses with community college courses thereby allowing students to obtain the direct skills necessary to enter into high need, emerging employment sectors while avoiding course duplication, and unnecessary redundancy. Targeted sectors include: Advanced Transportation Technologies; Applied Manufacturing; Biotechnology; Environmental Technology; Geographic Information Systems; Health; and Multimedia and Entertainment. On the whole, the LAO found that the funds appropriated for career technical education were used to provide teachers and administrators with the release time necessary to establish critical linkages and create programs that are responsive to both student interests and industry needs.

The community colleges anticipate that the entire \$20 million appropriated in the current year will be allocated to colleges before June 30, 2007. Funds are being distributed through a competitive grant process, whereby consortia of local colleges, schools, ROC/P's, and business/industry partners apply in response to a Request for Proposals.

### Governor's Budget

The Governor's Budget continues to provide \$20 million in the "base" funding for CTE. In addition, recently enacted legislation (Chapter 751/Statutes of 2006) appropriates an additional \$32 million to the community colleges in 2007-08 (for a total of \$52 million). This total amount increases to \$58 million beginning in 2008-09.

The Administration, the Community Colleges Chancellor's Office, and the California Department of Education (CDE) are in the process of developing an expenditure plan to account for the influx of the additional \$32 million, and have yet to finalize how they intend to spend the full \$52 million.

A draft of the proposal indicates the Administration's continuing intent to, via the community colleges budget, bring K-12 CTE programs in line with existing postsecondary and business-related opportunities. Under the draft plan, funds would be spent on a total of 24 new and continuing programs, including: (1) early outreach to middle school students; (2) curriculum planning, articulation and career pathways; 3) expansion of K-12 Partnership Academies; (4) development and expansion of business and industry involvement; (5) career-technical teacher recruitment and professional development; and (6) research and evaluation.

Given that the proposal is still in draft form, it remains unclear if the myriad of programs proposed will actually be implemented and, if so, how the dollars would be allocated. At present, it appears as if the bulk, if not all, of the funds would be distributed to K-12 and community colleges via a grant process.

Both the LAO and Staff have raised a variety of concerns and issues with the Governor's proposal.

#### Expenditure Plan

First and foremost, the LAO is concerned with the ability of the Administration to present the Legislature with an expenditure plan in a timely manner. Both the community colleges and the Administration have known since the CTA settlement bill was chaptered in late-September that \$52 million was going to be available for expenditure in 2007-08, but as yet, the Legislature has not received an expenditure plan.

#### Competitive Grant Process

Second, the LAO notes that, in the absence of a coordinated statewide approach to career-technical education, the mechanism by which we allocate these dollars to schools and districts (via a competitive grant process), does not make sense. Given that, over the seven-year duration of the CTA settlement, career-technical education spending will total \$400 million, the LAO advocates for a consistent statewide direction. Absent that direction, the LAO argues that the Community College Chancellor's Office does not have a clear sense of where the state needs to head, and as a result is not in a position to judge what types of proposals will be the most successful in improving career-technical education.

The LAO goes on to note that the use of a competitive grant process disadvantages schools, colleges, and areas of the state that may need the funds the most. These districts frequently lack the resources to submit high quality proposals or in some instances, apply for funding at all.

Further, given that the Administration's draft proposal calls for 24 programs, and presumably 24 separate applications for schools and colleges to submit, a grant funding mechanism seems both inefficient and overly burdensome.

#### Linkages with four-year institutions

The Administration's plan, and the LAO's concerns focus solely on the roles of K-12, community colleges, and industry in career technical education. Staff would note that the four-year institutions may have a role to play, either by providing baccalaureate- or masters-level education as part of a student's career "pathway" or as a possibly-overlooked industry partner.

Public four-year universities play a significant role in the economy of their local community, frequently serving as a major employer. Providing better linkages to the University of California and the California State University as part of the state's CTE program would serve two purposes: (1) Provide industry employment for students (particularly in the skilled trades); while (2) meeting the staffing needs of our public postsecondary institutions.

#### What is the solution?

The LAO recommends that the Legislature adopt a regional approach to distributing the funds. This would be effectuated by providing grants to each county (or region) of the state, thus providing all areas of the state with the opportunity to participate in the program and ensuring that a fundamental level of education-business coordination would occur. The LAO further recommends that the Legislature revamp the current statutory program to enunciate clear outcomes and performance measures by which these regional collaboratives would be assessed.

Staff notes that it remains unclear if the Department of Finance intends to present the Legislature with a proposal at the May Revision which better spells out the Administration's vision for the expenditure of funds. Without additional information, the Legislature may wish to move forward, targeting the \$20 million contained in the Budget Bill for regional collaboratives and expanding the uses of the \$32 million appropriation contained in the CTA settlement bill for similar purposes.

Staff recommends that this issue be held open, pending both the May Revision and an update from both the Administration, the Community Colleges Chancellor's Office, and CDE on the status of their jointly-developed expenditure plan.

## Issue 10: Proposed Consent

6440-301-6048. Capital Outlay, University of California. Add funding, per *April Finance Letter* to account for increased construction costs of Merced Campus Social Sciences and Management Building. \$5,700,000.

6440-491. Reappropriation, Capital Outlay, University of California. Add item with language per *April Finance Letter* to reappropriate funds for the Santa Barbara campus Arts Building Seismic Correction and Phelps Hall Renovation projects; the Riverside Campus Genomics Building; and the Merced campus Science and Engineering Building.

6440-492. Capital Outlay, University of California. Period of Liquidation Authority. Add item with language per *April Finance Letter* to extend the period of time that funds are available for the Merced campus Science and Engineering building and Library and Information Technology Center.

6440-495. Reversion, Capital Outlay, University of California. Add item with language per *April Finance Letter* to revert unencumbered funds from Riverside campus Environmental Health and Safety Expansion project.

6610-491. Reappropriation, California State University. Add item with language per *April Finance Letter* to reappropriate funds for the California Maritime Academy's Land Acquisition; and the Humboldt campus Forbes Physical Education Complex and Mai Kai Land Acquisition.

6610-493. Capital Outlay, California State University. Period of Liquidation Authority. Add item with language per *April Finance Letter* to extend the period of time that funds are available for the Bakersfield Campus Telecommunication Infrastructure project; the Sacramento campus Infrastructure Upgrade Project; and the San Bernardino campus Science Building Renovation project.

6870-111-0001. Local Assistance, California Community Colleges. CalWORKS Services, Foster Parent Training, Vocational Education, and Telecommunications/Technology. Increase reimbursements per *April Finance Letter*.

6870-301-6041. Capital Outlay, California Community Colleges. Amend item per *April Finance Letter* to remove funding for Contra Costa College Art Building Seismic Retrofit Project.

6870-301-6049. Capital Outlay, California Community Colleges. Amend item per *April Finance Letter* to remove funding for Contra Costa College Physical/Biological Sciences Building project.

6870-490. Reappropriation, Capital Outlay, California Community Colleges. Add item, per *April Finance Letter* to reappropriate funds for 15 projects on a variety of community colleges campuses.

6870-491.        Capital Outlay, California Community Colleges. Period of Liquidation Authority. Add item with language per *April Finance Letter* to extend the period of time that funds are available for the Long Beach City College Technology Building Replacement Project.